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## **SOUTH CAROLINA OFFICE OF REGULATORY STAFF**

### **EXAMINATION REPORT FOR DOCKET NO. 2000-366-A**

#### **THE APPLICATION OF CHEM-NUCLEAR SYSTEMS, LLC, A SUBSIDIARY OF DURATEK, INC., FOR ADJUSTMENT IN THE LEVELS OF ALLOWABLE COSTS AND FOR IDENTIFICATION OF ALLOWABLE COSTS**

On September 24, 2009, Chem-Nuclear Systems, LLC ("Chem-Nuclear") filed an application for Adjustment in the Levels of Allowable Costs for the Fiscal Year Ending June 30, 2009 and for Identification of Allowable Costs for Fiscal Year Ending June 30, 2010, pursuant to Public Service Commission of South Carolina ("PSC" or "Commission") Order No. 2009-371 in Docket No. 2000-366-A.

Effective July 1, 2008, Pursuant to S.C. Code Ann. § 48-46-40-(A)(6)(a), (Supp. 2009), Chem-Nuclear can only accept waste generated within the three Atlantic Compact states, South Carolina, New Jersey and Connecticut. Additionally, since July 1, 2008, Chem-Nuclear commenced site closure ("institutional") activities parallel to its site disposal operating ("operational") activities. These institutional costs include site maintenance, monitoring, security, other administrative expenses and license costs, and are paid from the Barnwell Decommissioning Trust Fund each year. Remaining reimbursable costs are included as operating costs in Chem-Nuclear's application for reimbursement filed with the Public Service Commission.

The South Carolina Office of Regulatory Staff ("ORS") completed an examination of the application and the underlying financial records of Chem-Nuclear for the operation of its regional low-level radioactive waste disposal facility located in the vicinity of Barnwell, South Carolina. Based on the work performed, ORS determined that reimbursable amounts included for Fixed costs, Variable costs and Irregular costs for fiscal year ended June 30, 2009 on the Application are materially correct and conform to South Carolina Public Service Commission Rules and Regulations. Therefore, no adjustments are proposed by ORS for the fiscal year ended June 30, 2009.

A comparison of the allowable reimbursements to the amounts authorized by the PSC in Order No. 2009-371 dated June 18, 2009, was prepared by ORS Audit Staff. This comparison is attached herewith as Exhibit A. As shown on Exhibit A, ORS recommends that Chem-Nuclear be allowed to retain, as recovery of their expenditures in operating the Barnwell Low Level Radioactive Waste Storage Facility for the fiscal year ended June 30, 2009, the following:

- \$2,838,898 in Fixed Costs,
- \$653,922 in Variable Costs and
- \$360,593 in Irregular Costs

In conjunction with procedures performed for fiscal year ended June 30, 2009, ORS also examined transactions recorded by Chem-Nuclear for the period beginning July 1, 2009, and extending through December 31, 2009. Based on this examination, ORS recommended adjustments to Chem-Nuclear's Projected Fixed costs for the fiscal year ending June 30, 2010. These adjustments were discussed with members of Chem-Nuclear's management who agreed with their propriety. Projected Irregular costs for the fiscal year ending June 30, 2010 appeared reasonable. ORS also calculated actual Variable cost rates for the fiscal year ending June 30, 2010 as listed in Exhibit AA, which are consistent with the rates filed in the Amended Application by Chem-Nuclear.



Daniel Sullivan, Auditor  
March 23, 2010

**Chem-Nuclear Systems, LLC**  
**Operating Experience and Reimbursable Costs**  
**For the Twelve Months Ended June 30, 2009**

**Exhibit A**  
**Page 1 of 2**

	<b>Per Amended Application</b>	<b>Commission Order No. 2009-371</b>	<b>Actual Costs Over (Under) Commission Allowed</b>
<b><u>Fixed Costs</u></b>			
Labor, Fringe and Non-Labor	\$ 1,292,726	\$ 1,000,000	\$ 292,726
Corporate Allocations (G&A)	563,563	500,000	63,563
Equipment Leases and Support	313,713	400,000	(86,287)
Depreciation	154,407	188,000	(33,593)
Insurance	458,425	448,000	10,425
Legal (License Appeal)	56,064	25,000	31,064
<b>Total Fixed Costs</b>	<b>\$ 2,838,898</b>	<b>\$ 2,561,000</b>	<b>\$ 277,898</b>
<b><u>Variable Costs</u></b>			
Vault Cost	\$ 500,401	\$ 499,610	\$ 791
Labor and Non-Labor Costs	153,521	209,756	(56,235)
<b>Total Variable Expenses</b>	<b>\$ 653,922</b>	<b>\$ 709,366</b>	<b>\$ (55,444)</b>

**Chem-Nuclear Systems, LLC**  
**Operating Experience and Reimbursable Costs**  
**For the Twelve Months Ended June 30, 2009**

**Exhibit A**  
**Page 2 of 2**

	<u>Per Amended Application</u>	<u>Commission Order No. 2009-371</u>	<u>Actual Costs Over (Under) Commission Allowed</u>
<b><u>Irregular Costs</u></b>			
<b>Various Trenches (Design, Construct, and Backfill)</b>			
Labor	2,551		
Non-Labor	68,709		
<b>Total</b>	<u>\$ 71,260</u>	<u>\$ 40,000</u>	<u>\$ 31,260</u>
<b>License Renewal and Appeal Costs</b>			
Labor	9,189		
Non-Labor	382		
<b>Total</b>	<u>9,571</u>	<u>5,000</u>	<u>4,571</u>
<b>Decontamination &amp; Corrective Actions</b>			
Labor	1,533		
Non-Labor	6,474		
<b>Total</b>	<u>8,007</u>	<u>-</u>	<u>8,007</u>
<b>Site Engineering and Drawings Updates</b>			
Labor	334		
Non-Labor	2,643		
<b>Total</b>	<u>2,977</u>	<u>3,000</u>	<u>(23)</u>
<b>Site Assessments</b>			
Labor	1,509		
Non-Labor	2,842		
<b>Total</b>	<u>4,351</u>	<u>30,000</u>	<u>(25,649)</u>
<b>Severance Pay</b>			
Labor	8,589		
Non-Labor	178,750		
<b>Total</b>	<u>187,339</u>	<u>300,000</u>	<u>(112,661)</u>
<b>Other Irregular Costs</b>			
Labor	28,791		
Non-Labor	9,974		
<b>Total</b>	<u>38,765</u>	<u>1,000</u>	<u>37,765</u>
<b>Puncture Stand Relocation</b>			
Labor	18,536		
Non-Labor	2,437		
<b>Total</b>	<u>20,973</u>	<u>-</u>	<u>20,973</u>
<b>Increased Security Controls</b>			
Labor	-		
Non-Labor	17,350		
<b>Total</b>	<u>17,350</u>	<u>10,000</u>	<u>7,350</u>
<b>Total Irregular Costs</b>	<u><u>\$ 360,593</u></u>	<u><u>\$ 389,000</u></u>	<u><u>\$ (28,407)</u></u>

**Chem-Nuclear Systems, LLC**  
**Proposed Fixed, Irregular and Variable Costs**  
**For the Fiscal Year Ending June 30, 2010 To Date**

**Exhibit AA**  
**Page 1 of 2**

	<u>Per Amended Application</u>	<u>Actual Through 12/31/2009</u>	<u>Difference</u>
<b>FIXED COSTS</b>			
<b>Fixed Costs to which 29% operating margin is added:</b>			
Labor, Fringe and Non-Labor	\$ 1,318,581	\$ 567,251	\$ 751,330
Corporate Allocations (Management Fees/G&A)	574,834	121,465	453,369
Depreciation	71,475	35,737	35,738
Insurance	384,518	192,259	192,259
Equipment Leases and Support	116,255	58,128	58,127
<b>Total Margin Costs</b>	<u>2,465,663</u>	<u>974,840</u>	<u>1,490,823</u>

**Fixed Costs to which 29% operating margin is not added:**

Legal Support (license appeal)	<u>167,000</u>	<u>111,677</u>	<u>55,323</u>
<b>Total Non-margin Costs</b>	<u>167,000</u>	<u>111,677</u>	<u>55,323</u>
<b>Total Fixed Costs</b>	<u>\$ 2,632,663</u>	<u>\$ 1,086,517</u>	<u>\$ 1,546,146</u>

**IRREGULAR COSTS**

Trench Construction	\$ 30,000	\$ 13,940	\$ 16,060
License Appeal	10,000	1,021	8,979
Corrective Action	5,000	14,501	(9,501)
Site Engineering Drawings	3,000	927	2,073
Site Assessments	5,000	1,081	3,919
Miscellaneous	5,000	(3,195)	8,195
Increased Security Controls	20,000	2,247	17,753
Severance Pay	75,000	60,869	14,131
Puncture Stand Relocation	<u>-</u>	<u>36</u>	<u>(36)</u>
<b>Total Irregular Costs</b>	<u>\$ 153,000</u>	<u>\$ 91,427</u>	<u>\$ 61,573</u>

**Chem-Nuclear Systems, LLC**  
**Proposed Fixed, Irregular and Variable Costs**  
**For the Fiscal Year Ending June 30, 2010 To Date**

**Exhibit AA**

**Page 2 of 2**

**VARIABLE RATES**

	<u><b>Costs</b></u>	<u><b>Variable Factor</b></u>
<b>Variable Labor and Non-Labor Rates</b>		
Vault Purchase & Inspection	\$ <u>77.43</u>	Per Vault
A B C Waste Disposal	<u>1,854.92</u>	Per Shipment
Slit Trench Shipment	<u>6,696.69</u>	Per Offload
Customer Assistance	<u>45.34</u>	Per Shipment
Trench Records	<u>124.06</u>	Per Container
<b>Variable Material Cost Rates (Vaults)</b>		
Class A Waste	\$ <u>39.03</u>	Per Cubic Foot
Class B Waste	<u>40.44</u>	Per Cubic Foot
Class C Waste	<u>41.30</u>	Per Cubic Foot
Slit Trench Waste	<u>184.54</u>	Per Cubic Foot